

International Stock Fund

Outlook

A buoyant stock market, continued restructuring and strong export-led demand has boosted profitability in Japan. At the early stage of the recovery last year in 2003, lower-quality stocks outperformed, as investors used high global liquidity levels to capture the Japanese recovery. Going forward, deregulation and rising competition should distinguish the strong companies from the weak, increasing the importance of selecting companies with solid fundamentals. Our former underweight position and bias toward export-related stocks reflected our caution regarding the domestic economy. We have been gradually building up the position in domestic companies over the last year to take advantage of the improving domestic outlook, and we are now comfortable with going up to a neutral position versus the benchmark. We continue to add a mix of both exporters and domestically oriented stocks in Japan. We will monitor the short-term exchange rate, although the government has been accommodating in tempering yen appreciation, and the currency appears to be stabilizing. Stocks that are export sensitive will be traded at the most advantageous time with regard to the yen-dollar outlook. From a valuation perspective, Japan is attractive compared to its own history, Europe, and especially the U.S., and the structural improvements companies are making are part of a long-term trend that will be supportive for the market.

From a global perspective, we continue to find non-U.S. stocks more attractive. The outlook for emerging markets investing remains compelling, as conditions that drove equities forward over the last year appear to remain intact. Central banks in many

markets continue to lower rates, which coupled with the low rates in the developed world, provides the right conditions for economic growth. We expect high-quality stocks with sustainable growth characteristics to lead the way as the recovery develops and interest rates stabilize. Emerging markets equities should also benefit from continued high commodity prices and further U.S. dollar weakness. However, we recognize that there are growing risks to the capital inflows into these markets. The global appetite for risk is high, and increases in global inflation and interest rates, slowdown in growth, or compression of corporate profit margins could have a dramatic impact and increase the possibility of a mid-cycle correction.

In Europe, we remain convinced the economy will recover, which will feed through to corporate profitability. In spite of the strength of the euro, earnings have been upgraded consistently over the past year. Rising equity markets, low interest rates and strong global activity have underpinned positive results. We have added to our European bank holdings, as they are valued attractively and have restructured, and the interest rate environment is benign. Despite economically sensitive stocks having performed well in 2003, some valuations do not reflect their full potential in the expected recovery. Growth stocks have been underperforming value stocks, and we anticipate the growth style will return to favor, supported by the improving economic backdrop. Similarly, large caps have been underperforming small-caps, and now look more attractively valued by comparison.

International Stock Fund

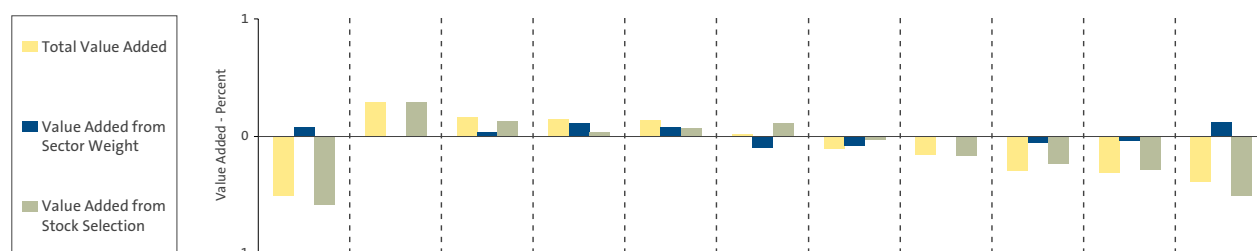
As of March 31, 2004

	Three Months	Year-to-Date	One Year	Annualized		
				Three Years	Five Years	Ten Years
International Stock Fund	3.74%	3.74%	51.55%	0.93%	-0.86%	4.27%
MSCI EAFE Index	4.40	4.40	58.15	3.80	0.83	4.86
MSCI AC World ex-U.S. Index	4.83	4.83	59.91	5.45	2.03	4.90

Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions. Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary and you may have a gain or loss when you sell your shares. For the most recent month-end performance, or to request a prospectus, which contains complete information, including investment objectives, risks, fees, and expenses that you should read and consider carefully before investing, please contact your client service representative or visit our website at troweprice.com.

- Your portfolio underperformed its benchmark for the quarter ended March 2004.
- The consumer discretionary and health care sectors accounted for a large proportion of our relative underperformance, particularly stock selection in media and household durables within the consumer discretionary sector.
- Our position in commercial services and supplies was the main detractor in industrials.
- An overweight position in wireless telecoms was costly, but was compensated for by good stock selection.
- Financials added the most value, due to good stock selection within real estate and commercial banks.

Sector Attribution Analysis – International Stock Fund vs. MSCI EAFE Index First Quarter 2004



	Total	Financials	Energy	Materials	Information Technology	Telecom Services	Utilities	Consumer Staples	Industrials & Bus. Servs.	Health Care	Consumer Discretionary
Over (Under) Weight	--	-2.5	-0.9	-2.8	2.3	2.1	-3.2	0.4	-0.7	0.6	4.7
Portfolio Weight (Ending)	100.0	24.2	7.0	3.9	9.7	9.5	1.5	8.9	8.6	9.1	17.7
Index Weight (Ending)	100.0	26.7	7.8	6.6	7.4	7.4	4.8	8.5	9.3	8.5	13.0
Portfolio Performance	3.9	5.6	1.9	1.7	13.4	1.1	5.3	3.5	4.7	-3.1	3.8
Index Performance	4.4	4.4	0.2	0.7	12.5	-0.1	7.1	5.2	8.2	-0.3	6.7

Numbers may not add due to rounding; all numbers are percentages.

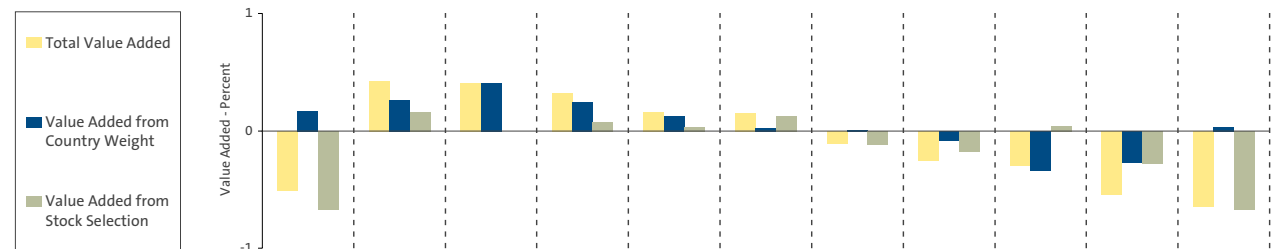
Analysis represents the equity-only performance of the trust as calculated by the Wilshire Atlas attribution model and is exclusive of cash and other non-equity holdings.

Source: Wilshire Atlas, GICS Sectors; Analysis by T. Rowe Price International, Inc.

- From a country view, stock selection detracted from performance and allocation was positive.
- Stock selection within the UK was the largest detractor.
- Poor stock selection and an overweight position in France proved costly, as was being underweight in Japan.
- Mexico had a positive impact, due to both good stock selection and our overweight position.
- An underweight position in Germany also added value, as did our South Korea holdings.

Country Attribution Analysis – International Stock Fund vs. MSCI EAFE Index

First Quarter 2004



	Total	Mexico	Germany	South Korea	Russia	Netherlands	Switzerland	India	Japan	France	United Kingdom
Over (Under) Weight	--	1.6	-4.3	2.4	0.8	-0.3	-0.2	0.7	-2.4	4.8	-1.4
Portfolio Weight (Ending)	100.0	1.6	2.4	2.4	0.8	4.4	6.9	0.7	21.2	14.3	23.6
Index Weight (Ending)	100.0	0.0	6.7	0.0	0.0	4.8	7.1	0.0	23.6	9.5	25.0
Portfolio Performance	3.9	30.7	-4.5	22.4	37.4	-1.3	-1.4	-13.1	15.5	-2.0	-0.9
Index Performance	4.4	19.9	-4.4	17.6	29.4	-3.8	0.7	-1.5	15.2	-0.4	1.8

Numbers may not add due to rounding; all numbers are percentages.

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Source: Wilshire Atlas, GICS Sectors; Analysis by T. Rowe Price International, Inc.

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Significant Contributors	Country/Industry	Comment
Samsung	South Korea / Semiconductors and Semiconductor Equipment	Samsung Electronics is the third-largest handset manufacturer and one of the largest consumer electronics manufacturers. It is also the world's biggest and most cost-efficient DRAM and TFT-LCD manufacturer. We believe the stock is attractive relative to technology peers because of superior earnings growth, high ROE, and the low multiple at which it trades. The stock performed well on positive guidance for the first quarter, and strong growth in market share.
Mitsui Fudosan	Japan/Real Estate	The company's primary activity is the construction, leasing, and sale of real estate. We have been adding to our holdings of domestically oriented Japanese stocks to take advantage of the improved outlook for the Japanese economy. Over the last quarter real estate stocks have outperformed and there have been the clearest signs of a turnaround in the sector since its collapse in the early 1990s.
Nokia	Finland/Wireless Telecoms	Nokia manufactures and supplies mobile phones and wireless data products worldwide, including a complete range of mobile phones for digital and analog standards. The company is also engaged in the provision of mobile and IP network infrastructure and related services. Global phone sales have remained robust, especially in Europe and China. However, the stock has suffered recently as it lost some handset market share to Samsung.
Sumitomo Mitsui	Japan/Commercial Banks	Japan's second largest lender provides a wide range of banking and other financial services, with banking accounting for around 70% of revenues. Japanese banks gained dramatically this quarter, as they stand to benefit directly from the country's improving economy. Additionally, the government has demonstrated its intention to ensure the sector restructures effectively. Sumitomo Mitsui is still attractive on a valuation basis given the restructuring to come.
Significant Detractors	Country/Industry	Comment
GlaxoSmithKline	UK / Pharmaceuticals	GlaxoSmithKline is a research-based pharmaceutical and health care company. The stock has underperformed in the first quarter despite its valuation as the outlook for 2004 earnings was seen as unexciting, with little clarity on the near-term pipeline to boost 2005 earnings. It currently trades on the lowest P/E multiple among U.S. and European large caps, and there should be greater clarity on the 2005 outlook by the fall.
Sanofi-Synthelabo	France/Pharmaceuticals	Sanofi is a pharmaceutical company specializing in cardiovascular, central nervous system, oncology and internal medicines. Sanofi-Synthelabo initiated a €46.5 billion hostile takeover bid for Aventis. The deal was not seen as positive for Sanofi as it turns a growing company into a large organization that has paid a premium for a pipeline with patent challenges. Novartis has been invited to counter bid in an effort by Aventis to increase the price.
Adecco	Switzerland/Commercial Services and Supplies	Adecco is the global leader of temporary and permanent staffing services, with over 5,800 offices globally. The company maintains the number one or number two position in 12 of the world's 13 largest staffing markets. Adecco announced a possible accounting irregularity early in the quarter that sent the stock plummeting. The stock regained most of the loss when the issue turned out to be less serious than some expected. We added to the stock at these low levels.
Unicredito Italiano	Italy/Commercial Banks	The group provides an extensive range of banking and personal finance services and is involved in fund and trust management stock brokerage and insurance. The stock suffered this quarter as the company reported only in line with expectations, and also announced an unexpectedly small €1billion share buyback. We remain positive as the buyback removes some acquisition risk, and the stock trades on an attractive multiple.

The securities mentioned above comprised 11.2% of the fund as of March 31, 2004.

International Stock Fund vs. MSCI EAFE Index

March 31, 2004

Consumer Discretionary: We are significantly overweight in the consumer discretionary sector. This is mainly due to large positions in media (Reed Elsevier, TF1, WPP) and speciality retailers (Kingfisher, Hennes & Mauritz). A large weighting in the hotel and restaurants industry in the form of our holding in the food-service company Compass also contributes to our position.

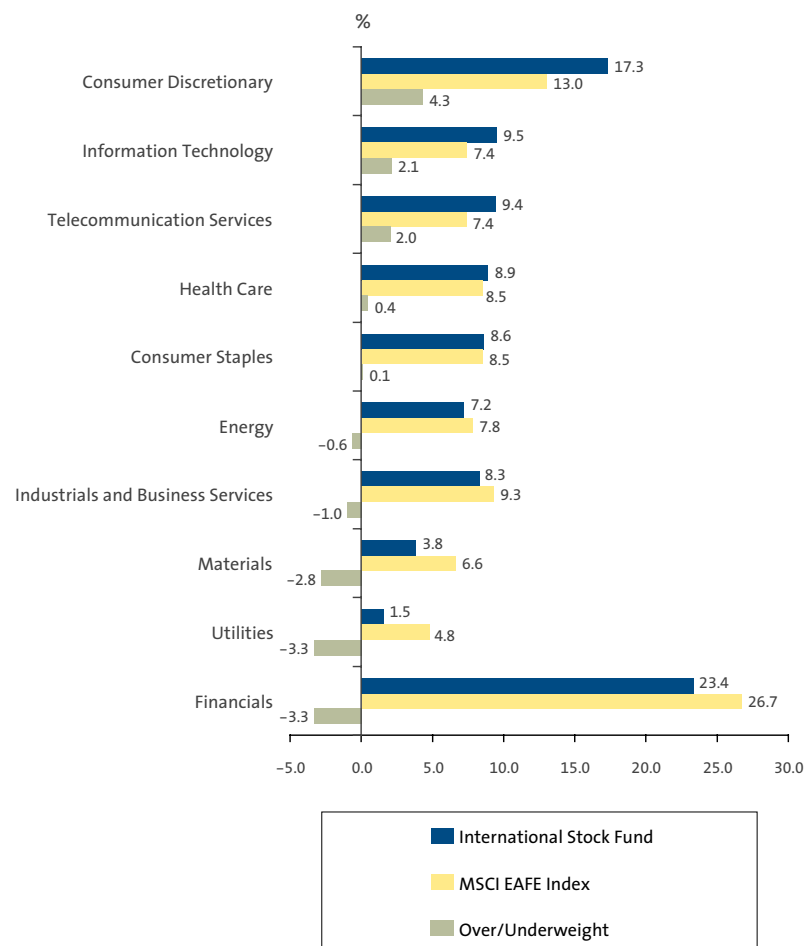
Telecommunication Services: Our overweight position in wireless telecoms drives our overall weighting in the telecoms sector. KDDI, Vodafone, SK Telecom, America Movil and TIM are all positive weights relative to the benchmark. We believe that cash flow generation will be enhanced by more carefully managed expenditures. Several of our holdings are in emerging markets.

Industrials and Business Services: Although the portfolio is underweight in industrials, within this sector we hold a strong position in the commercial services industry (Adecco, Securitas). We continue to favor these stocks in an economic recovery.

Materials/ Utilities: The component industries of the materials sector (chemicals, construction materials, packaging and metals and mining) traditionally tend to offer few growth opportunities. Consequently, we remain underweight. We continue to hold few stocks in the utilities sector, as there are more attractive opportunities in economically sensitive sectors.

Financials: The portfolio is underweight in financials, due mainly to our avoidance of insurance and commercial banks. We currently prefer to own capital markets stocks (Credit Suisse, Daiwa Securities, UBS) that are attractively valued and positioned to benefit from an improving economic environment.

The securities mentioned above comprised 15.0% of the fund as of March 31, 2004.



Source: MSCI/S&P Sectors; Analysis by T. Rowe Price International, Inc.

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Major Purchases	Country/Industry	Rationale
KDDI (N)	Japan/Wireless Telecoms	The group provides various telecommunications services, with mobile phones accounting for around 69% of 2003 revenues. Toward the end of last year, KDDI turned around its profitability, raising operating margins to an estimated 9.1%, but recently the shares have suffered along with the sector. Although KDDI has some ailing legacy businesses, it still is attractively valued, and offers exposure to a Japanese economic recovery.
Mitsubishi Corp	Japan/Trading Companies and Distribution	Mitsubishi Corp is a general trading company, operating through several divisions such as IT, fuels, metals, machinery and chemicals. The business is increasingly focused on energy (LNG), metals, auto distribution and food wholesaling and retailing. It is sensitive to a Japanese recovery as well as continued growth throughout Asia. In addition, management is highly focused on returns and shareholder value.
NEC	Japan/Computers and Peripherals	NEC is involved in developing and manufacturing computers, Internet solutions, and a range of other electronic products such as semiconductors and LCDs. It has been transforming itself into the premier Japanese software/IT services provider by restructuring its business mix over the last few years. For example, software/services, a much higher-margin business, have grown from 13% of revenue in 1999 to 19% today. NEC is also strong in wireless communications, and it will take on large enterprise outsourcing projects.
William Morrison (N)	UK/Food and Staples Retailing	William Morrison is a supermarket group that has recently acquired the Safeway group of stores. We believe the Safeway deal is a good one, as it offers Morrison the potential to turn around and grow this previously under-managed business, while still growing its other operations. It is trading at an attractive discount to its peers, in our view.
Grupo Televisa	Mexico/Media	The principal activities are television production and broadcasting. These include the operation of national and local stations, pay TV and licensing. We have been adding to our media holdings globally, as they are sensitive to economic growth; more directly, the advertising cycle is starting to favor TV, leading to an increase in prime time bookings. The stock has seen a huge de-rating since 2000, and accounting issues have largely been resolved. We believe it is reasonably valued with accelerating growth.
Major Sales	Country/Industry	Rationale
NTT DoCom	Japan/Wireless Telecoms	The group's principal activities are in wireless communications. They offer cellular, 3G and handset products and services among others. The stock looks overvalued and there were disappointing market share figures in February. It trades at a premium to KDDI, yet it has had worse subscriber growth.
Daiwa House/ Sekisui House (E)	Japan/Household Durables	Daiwa House is involved in the manufacture and construction of steel frame pre-fabricated houses. We have been selecting stocks in Japan that have exposure to the economic cycle, and that are restructuring their balance sheets and business mix. The stock has done well over 2003 on a prospective Japanese recovery. Yet the company's restructuring plan is not convincing, and we have concerns over its position in the housing market. Sekisui House is also involved in construction, where the longer-term growth outlook is less strong.
NTT (E)	Japan/Diversified Telecoms	NTT provides telecommunication services. We prefer wireless telecoms to fixed-line providers in the current economic environment, as they are less defensive in nature. NTT has a declining core business, and it has not successfully cut costs. Within the fixed-line businesses, NTT remains unattractive compared to the European companies.
Sony (E)	Japan/ Household Durables	Sony designs, develops and manufactures electronic equipment and devices for consumer and industrial markets, with electronics accounting for around 60% of fiscal revenues. Sony's March 2003 results were a shock to the market. The company was beginning to restructure, but future plans demonstrate that the management is not changing the way the business is managed, imperiling free cash flow. We eliminated this position entirely.

(N) New Purchase

(E) Elimination

The securities mentioned above comprised 3.1% of the fund as of March 31, 2004.

The manager's views and portfolio holdings are historical and subject to change. This material should not be deemed a recommendation to buy or sell any of the securities mentioned.

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Company	% Of Fund	P/E 12 Months Forward (IBES)	Market Capitalization (Millions)	Case for Inclusion
GlaxoSmithKline	3.0%	13.5X	\$116,983	GlaxoSmithKline is a research-based pharmaceutical company. It operates in prescription pharmaceuticals, vaccines and over the counter medicines. Patent expiry issues and the lack of a short-term pipeline have weighed on the stock for some time. Yet, U.S. patent risk has declined, and new projects should sustain long-term growth.
Royal Bank of Scotland Group	2.6	11.4	90,089	Royal Bank of Scotland (RBS) is one of Europe's leading financial services groups. RBS is reaping the benefits of restructuring and cost cutting after its acquisition of Nat West. The company's enduring strengths include its diverse, multi-channel, multi-brand strategy, a wide range of strategic options for future development, and good cash flow.
Vodafone	2.5	N/A	161,614	Vodafone Group is the world's largest wireless service provider, with interests in mobile networks throughout Europe, the U.S. and the Far East. We believe it has superior earnings growth and remains undervalued. It is better positioned than other telecoms to expand margins through cost saving measures, and to fund innovative product development.
Total	2.5	13.9	119,010	Total is an integrated oil and gas company, with operations in more than 120 countries. The upstream business (exploration, development and production activities) is the focus of reinvestment, and we continue to hold a strong position because of its growth potential.
Nestle	2.0	18.6	102,850	Nestle is the world's largest food manufacturer. Nestle's restructuring efforts remain on track following exits out of non-core businesses. We expect that cost cutting will continue to help improve the company's margin, and that revenue performance in a number of markets will improve.
Shell T&T/Royal Dutch	1.7	12.6	162,240	The Shell T&T/Royal Dutch group is the world's third-largest oil company. The group has been re-focusing its upstream exploration and development strategies. We believe that the group will also continue to benefit from cost reductions in its refining and manufacturing activities, as well as from synergies following its recent acquisitions and the arrival of new management.
UBS	1.7	14.8	87,643	UBS is a global financial company operating in over 50 countries and providing wealth management, investment banking and securities services. Restructuring and consolidation across divisions position the company well for growth.
BNP Paribas	1.6	10.8	55,211	Based in France, BNP Paribas operates in 85 countries. The bank has been reallocating assets to more profitable areas, including domestic retail. BNP maintains a strong retail franchise within France, and we see growth opportunities in the company's U.S. operations.
Compass	1.5	33.7	14,371	Compass Group is the world's largest food-service company. The company has remained focused on its core business through strategic acquisition and disposal of non-core businesses. Compass remains well-positioned due to its premium revenue growth relative to peers, high business retention rate, and continued profit margin expansion.
Adecco	1.5	24.1	10,293	Adecco is the global leader of temporary and permanent staffing services. The company maintains the number one or two position in 12 of the world's 13 largest staffing markets. We expect demand for staffing services to increase due to continued improvement in the global economic environment as well as a result of deregulation.
Total	20.6%			

Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. The fund's share price will fluctuate with changes in market, political, economic, and foreign currency exchange conditions.

T Rowe Price Investment Services, Inc., Distributor.

Certain numbers in this report may not add due to rounding.